

CRS Report for Congress

Received through the CRS Web

Counterintelligence Reform at the Department of Energy: Policy Issues and Organizational Alternatives

Updated March 8, 2005

Alfred Cumming
Specialist in Intelligence and National Security
Foreign Affairs, Defense, and Trade Division

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 08 MAR 2005		2. REPORT TYPE N/A		3. DATES COVERED -	
4. TITLE AND SUBTITLE Counterintelligence Reform at the Department of Energy: Policy Issues and Organizational Alternatives				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) David D. Acker Library and Knowledge Respository, Defense Acquisition University, Fort Belvoir, VA				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release, distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT SAR	18. NUMBER OF PAGES 30	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Counterintelligence Reform at the Department of Energy: Policy Issues and Organizational Alternatives

Summary

Troubled by reported lapses in security and counterintelligence (CI) at the Department of Energy (DOE), the Congress in 1999 established a semi-autonomous agency — the National Nuclear Security Administration (NNSA) — to oversee DOE's national security-related programs (P.L. 106-65). Within NNSA, Congress created the Office of Defense Nuclear Counterintelligence to *implement* CI policy at NNSA facilities. DOE retained a separate Office of Counterintelligence, which *develops* CI policy for DOE and NNSA, but, *implements* it only at non-NNSA facilities. Though representing separate organizations, the two CI offices share resources and personnel for some programs. Although DOE has taken steps to strengthen CI practices, some observers have questioned whether the Department's bifurcated CI structure is the most effective in countering continuing efforts by foreign intelligence services, friendly and hostile, to target DOE and NNSA facilities.

Several organizational approaches have been discussed, including the following.

One approach is to maintain the status quo. Proponents suggest that the current structure is necessary if CI is to receive the attention it warrants. Opponents counter that dual offices lead to inefficiencies that could undermine CI effectiveness.

Under a second approach, DOE and NNSA CI programs could be completely separated. Proponents suggest that this approach would establish clearer lines of authority. Opponents counter that this arrangement would produce chaos at the field level and lead to coordination and communication problems.

A third approach would be to give NNSA authority to implement all CI programming, while preserving for DOE all CI policymaking responsibility. Proponents suggest that doing so would result in integrated and coordinated CI operational activity. Opponents counter that this approach still would leave in place two separate CI offices and lead to continuing confusion over roles and mission.

Finally, Congress could consolidate the two CI programs, either under the direct control of the Energy Secretary, or under the supervision of the NNSA administrator. Proponents of DOE control assert that the importance of CI argues for a consolidated office that answers directly to the DOE Secretary. Opponents contend consolidation within DOE would contravene Congress's intent to maximize NNSA autonomy in all areas, including CI, because of DOE's perceived deeply rooted anti-security culture. They recommend that all CI programs be consolidated, but under the NNSA Administrator rather than the Energy Secretary.

Former DOE Secretary Spencer Abraham proposed consolidating the two CI programs into a single office reporting directly to the Energy Secretary. Congress, however, continues to support the bifurcated program. Energy Secretary Samuel W. Bodman is reviewing various legislative proposals, including one that would consolidate the two CI programs under DOE control. This report will be updated as warranted.

Contents

Introduction	1
DOE CI Management Prior to the 1999 Reorganization	2
The Turning Point	2
Policy Issues For Congress	4
Are DOE and NNSA Accomplishing CI Missions?	4
Is The Bifurcated Structure Most Effective?	5
Possible Organizational Alternatives	7
Alternative One: Maintain the Status Quo	7
Alternative Two: Completely Separate DOE and NNSA	8
Alternative Three: Consolidate CI Implementation Under NNSA	8
Alternative Four: Consolidate All CI Within DOE	8

Counterintelligence Reform at the Department of Energy: Policy Issues and Options

Introduction

Lapses in the Department of Energy's (DOE) security and counterintelligence program have plagued DOE since 1977, when the Department was established through the merger of 40 government organizations, including the Energy Research and Development Administration and the Federal Energy Administration.¹ Some policymakers expected the new agency to focus the government's energy-related enterprises almost solely on the energy crisis. Others saw DOE as an unsuccessful attempt to fuse vastly diverse organizations, many with significantly different, if not conflicting missions.

One legacy of its origin is that DOE has struggled to balance open scientific inquiry with the security under which some of those scientific inquiries must be conducted. This inherent tension has led many observers to question whether DOE's highly classified weapons-related program has received sufficient attention, particularly with regard to counterintelligence (CI). Due to numerous problems with the CI program, the Clinton Administration issued Presidential Decision Directive 61 (PDD-61), which fundamentally restructured DOE's CI program. Among other changes, PDD-61 mandated that the Federal Bureau of Investigation (FBI) assume leadership of DOE's CI program, an initiative which continues to this day. In 1999, Congress took a further step and established the semi-autonomous National Nuclear Security Administration (NNSA) to manage DOE's national security-related programs, including DOE's sensitive weapons laboratories. Particularly concerned about CI, Congress provided NNSA with its own CI office, but maintained a separate CI office in DOE. Though representing separate organizations, the two CI offices share resources, funds, and personnel for some programs.

DOE and NNSA facilities have been and will continue to be a major target of foreign intelligence services, friendly, as well as hostile, according to the President's Foreign Intelligence Advisory Board (PFIAB).² Although Energy Department officials are taking steps to confront this challenge, the current DOE and NNSA

¹ See President's Foreign Intelligence Advisory Board,, Foreword, *Science At Its Best/Security At Its Worst*, June 1999, pp. I-II.

² Ibid. p. 1-2.

bifurcated CI structure continues to raise questions about the effectiveness of such an approach to address such threats to the U.S. national security.³

DOE CI Management Prior to the 1999 Reorganization

In 1998, President Clinton was so troubled by intelligence evidence that the PRC had successfully stolen secrets from DOE's weapons laboratories that he issued Presidential Decision Directive (PDD) 61.⁴ In an effort to improve quality and accountability, the Directive established for the first time in DOE's history an independent CI office under the direction of a senior FBI executive. Previously, the Department's CI effort had been highly decentralized and widely dispersed throughout various program offices, and was, according to some observers, grossly underfunded.⁵

PDD-61 stipulated that a senior FBI official (the FBI is the primary U.S. government agency responsible for domestic CI) be named director of the office and report directly to the Energy Secretary. The PDD also directed that existing DOE contracts with the labs were to be amended to include CI goals and objectives, as well as CI performance measures to evaluate compliance. Counterintelligence oversight functions previously assigned to DOE operations and field offices were to be consolidated under the Director's control. Under a follow-on implementation plan, issued in 1999, the Director gained authority over programming and funding as well as personnel authority over counterintelligence activities at all DOE field offices and laboratories. By 1999, however, a majority in Congress decided that Secretary Richardson's PDD-61 inspired reforms were insufficient.

The Turning Point

March 1999 marked a turning point in DOE's CI program when Energy Secretary Bill Richardson fired Los Alamos National Security Laboratory scientist Wen Ho Lee because Lee allegedly had failed a polygraph.⁶ (Other allegations

³ See Commission on Science and Security, *Science and Security in the 21st Century, A Report to the Secretary of Energy on the Department of Energy Laboratories*, April 2002. p. XII and p. 26. See also National Counterintelligence Executive, *An Assessment of the Effectiveness of the Division of the CI Programs at the Department of Energy and the National Nuclear Security Administration*, pp. 12-13.

⁴ For a comprehensive review of this issue, see CRS Report RL30143, *China: Suspected Acquisition of U.S. Nuclear Weapon Secrets*, by Shirley Kan.

⁵ See President's Foreign Intelligence Advisory Board, Foreword, *Science At Its Best/Security At Its Worst*, June 1999, p. 15.

⁶ The most recent alleged espionage case with a DOE connection involves alleged PRC spy Katrina M. Leung, who the FBI said was a 20-year Bureau informant they now suspect was a "double agent" who provided classified material to the PRC. Leung allegedly had affairs with two former FBI agents, including William Cleveland Jr., who, until he resigned his post on April 10, 2003, was Director of Security, at DOE's Lawrence Livermore National
(continued...)

included that Lee failed to notify officials about certain contacts with people in the People's Republic of China (PRC), to properly safeguard classified material and to cooperate on security matters. Lee pled guilty to one felony count of unlawful retention of national defense information; the government dropped 58 additional counts.⁷) In May, a bipartisan House Select Committee released a declassified version of its report charging the PRC with having stolen nuclear weapons secrets from the United States. Finally, in June, the President's Foreign Intelligence Advisory Board (PFIAB), for the first time in its more than 38-year history of providing the President counsel on intelligence matters, publicly released one of its reports. It criticized DOE for the "worst" security record on secrecy that Panel members said they had encountered.⁸ Although dismissing assertions of wholesale losses of nuclear weapons technology through espionage, the PFIAB panel did concur, on balance, with the Intelligence Community's assessment that the PRC had obtained by espionage classified U.S. nuclear weapons information that probably accelerated its program to develop future nuclear weapons.⁹ In response, Congress and the President approved legislation establishing NNSA¹⁰ to manage the department's national security-related nuclear programs.¹¹

As part of the restructuring, Congress proposed creating dual CI offices in DOE and NNSA. Within DOE, the already-existing Office of Counterintelligence (OCI) was codified and made responsible for *developing* CI policy for both DOE and NNSA; but, was only authorized to *implement* that policy at non-NNSA facilities. Within NNSA, the Office of Defense Nuclear Counterintelligence (NNSA/ODNCI) was created to *implement* CI policy, but only at NNSA facilities. Conferees stipulated in the statute that a presidentially appointed, Senate confirmed Under Secretary for Nuclear Security was designated to serve as NNSA Administrator. The NNSA Administrator would report to the Energy Secretary.

⁶ (...continued)

Laboratory. FBI officials reportedly have said that every PRC counterintelligence case investigated by the Bureau since 1991 may have been compromised by Leung, including that involving Wen Ho Lee. See Schmidt, Susan and Dan Eggen "FBI Assesses Potential Damage From Spy Scandal," Washington Post, April 13, 2003, p. A04.

⁷ See CRS Report RL30143, *China: Suspected Acquisition of U.S. Nuclear Weapon Secrets*, by Shirley Kan, pp. 22-37.

⁸ See President's Foreign Intelligence Advisory Board, *Science At Its Best/Security At Its Worst*, June, 1999, p. 1.

⁹ Ibid. p.4.

¹⁰ NNSA facilities include the national security laboratories (Los Alamos National Laboratory, Los Alamos, NM; Lawrence Livermore National Laboratory, Livermore, CA; and Sandia National Laboratories, Albuquerque, NM and Livermore, CA); nuclear weapons production facilities (The Pantex Plant, Amarillo, TX; Kansas City Plant, Kansas City, the Y-12 Plant, Oak Ridge, TN, the tritium operations facilities at the Savannah River Site, Aiken, S.C., and the Nevada Test Site, Nevada); and a service center at Albuquerque, NM. Naval Reactors facilities also fall within the NNSA.

¹¹ See S. 1059; conference report, H.Rept. 106-301; and P.L. 106-65, signed into law on October 5, 1999.

In urging reorganization, conferees cited the report by the President's Foreign Intelligence Advisory Board (PFIAB) that blamed poor organization and a failure of accountability for DOE's CI failures. The report also criticized DOE for being a dysfunctional bureaucracy incapable of reforming itself.¹²

One result of this dual office is a partially bifurcated CI structure (the two offices share resources, funds, and personnel for some programs¹³) that has sparked debate over its effectiveness, particularly in light of emerging non-traditional counterintelligence threats. Specifically, critics have warned that inadequate communication and coordination between the two offices could threaten sensitive CI investigations. Supporters argue that a separate, dedicated CI office within NNSA is necessary if counterintelligence is to receive the focus it warrants.

Policy Issues For Congress

Observers have focused on two inter-related questions. First, are DOE and NNSA accomplishing their CI missions? Second, is the current partially bifurcated CI management structure within DOE and NNSA the most effective approach to CI management?

Are DOE and NNSA Accomplishing CI Missions?

One study has questioned DOE's managerial approach to CI effectiveness. The Commission on Science and Security, established by then-Secretary Bill Richardson, concluded in a 2002 report, that because of DOE's continuing management dysfunction, security, including CI, lacks clarity, consistency, and broad strategic planning. Specifically, the Commission said DOE lacked a systemwide approach for assessing risks to its assets and for determining priorities for the protection of those assets; adequate investments in tools and technologies for its counterintelligence programs; and sufficient priority for cybersecurity.¹⁴ With respect to CI, the Commission said the dual office structure led to fragmentation and prevented the establishment of a single, strong, CI program.¹⁵

Another study, however, points out that DOE and NNSA have made some progress in their CI programs, although the current dual office structure exposes DOE and NNSA to the possibility of future CI missteps. In January 2003, in a requested unclassified report to the Senate Select Committee on Intelligence (SSCI), the Office of the National Counterintelligence Executive (NCIX), an Intelligence Community entity charged with monitoring CI policy across the Intelligence Community,

¹² See FY2000 conference report, H.Rept. 106-301, p. 927.

¹³ Those CI programs include analysis, cyber-counterintelligence, evaluations, inspections, investigations, polygraph, and training.

¹⁴ See Commission on Science and Security, *Science and Security in the 21st Century, A Report to the Secretary of Energy on the Department of Energy Laboratories*, April 2002. p. XII-XIII.

¹⁵ Ibid. p. 26.

concluded that DOE and NNSA were making progress in accomplishing much of their basic CI mission, particularly in the areas of strategic planning, operating procedures and implementation of information systems, but criticized the bifurcated CI structure.¹⁶

NCIX blamed the current dual-office format for numerous day-to-day problems, including duplicative and, at times, contradictory messages to field sites; mis-routing of sensitive CI information related to investigations; uncoordinated communications to the FBI and the Intelligence Community; and dual, sometimes, inconsistent, tasking of program managers.¹⁷

Although manageable under the current structure, NCIX suggested that these problems posed the potential for more fundamental missteps in the future. According to one law enforcement officer cited by NCIX, the two-office configuration “might some day lead the department to miss a serious CI breach or prevent the conduct of an effective investigation.”¹⁸ The Directors of Central Intelligence and the Federal Bureau of Investigation (FBI) endorsed the NCIX findings in separate letters to the SSCI Chairman and Vice Chairman.¹⁹

Is The Bifurcated Structure Most Effective?

With regard to a bifurcated structure, two general views prevail. According to one view, espoused by the PFIAB and others, real and lasting CI reform is “unworkable within DOE’s current structure and culture. To achieve the kind of protection that these sensitive labs (DOE’s national security laboratories) must have, they and their functions must have their own autonomous operations structure free of all the other obligations imposed by DOE management.”²⁰ The PFIAB, in 1999 recommended the establishment of a semi-autonomous agency within DOE, with its own coherent CI structure.²¹

The contrary view holds that CI must be a unified, integrated DOE-wide function. The Commission on Science and Security concluded:

¹⁶ See National Counterintelligence Executive, *An Assessment of the Effectiveness of the Division of the CI Programs at the Department of Energy and the National Nuclear Security Administration*, p. 9. The report was requested by the SSCI. See Senate Report 107-149 (p. 24), accompanying S. 2506, the FY2003 intelligence authorization bill.

¹⁷ Ibid. p. 10.

¹⁸ Ibid. p. 13.

¹⁹ See letters from Director of Central Intelligence George Tenet, June 9, 2003, and from FBI Director Robert Mueller, July 11, 2003. Both letters were introduced into the record during a July 13, 2004 hearing on DOE counterintelligence consolidation conducted by the House Energy and Commerce Subcommittee on Energy and Air Quality.

²⁰ See President’s Foreign Intelligence Advisory Board, Foreword, *Science At Its Best/Security At Its Worst*, June 1999, p.46.

²¹ Ibid. p. 47.

Counterintelligence must be an enterprise-wide function, responsible for counterintelligence issues anywhere within the DOE complex. Furthermore, counterintelligence investigations, analysis, and all other counterintelligence information must be developed within a unified organization and provided to the Secretary and other senior officials without bureaucratic delays. This vital function necessitates one organization with one chief of counterintelligence reporting to the office of the Secretary.²²

NCIX, in its report, concluded, “‘this partial bifurcation’ of CI responsibilities at DOE not only served to further complicate the formidable challenge of managing CI at DOE, but also endangered the goals and implementation of an effective CI program.”²³ NCIX further noted that, “In light of the history of CI investigations that foundered because of mis-communications within well-established agencies, the two-office arrangement has raised the odds of missteps and problems.”²⁴ NCIX recommended that the two offices be consolidated under one senior CI officer with DOE-wide responsibility for all aspects of the program and that would report directly to the Secretary of Energy.²⁵

Former DOE Secretary Spencer Abraham, after completing his own review of the bifurcated CI structure, concluded in 2003 that the structure was “not optimal” and proposed to Congress that the Department’s two CI programs be consolidated under DOE’s control, and that the combined office report directly to the Energy Secretary.²⁶ Instead, however, the Senate Armed Services Committee, as part of the fiscal year (FY) 2005 defense authorization bill, authorized the DOE Secretary to consolidate the two offices, but under the control of the NNSA administrator.²⁷ The House took no action in its version of the same bill. The Senate receded, and House and Senate conferees retained the bifurcated structure, stating in the conference report:

The conferees note that the NNSA was originally set up as a semi-autonomous agency, in large part, to ensure that there would be adequate focus and priority placed on counterintelligence activities. The conferees urge the

²² See Commission on Science and Security, *Science and Security in the 21st Century, A Report to the Secretary of Energy on the Department of Energy Laboratories*, April 2002. p. 26.

²³ See National Counterintelligence Executive, *An Assessment of the Effectiveness of the Division of the CI Programs at the Department of Energy and the National Nuclear Security Administration*, 2003. p. 1.

²⁴ *Ibid.* p. 2

²⁵ *Ibid.* p. 3

²⁶ For a more complete discussion of DOE’s position on the issue of CI bifurcation, see testimony presented by Linton Brooks, Administrator, National Nuclear Security Administration, before the House Energy and Commerce Committee, Energy and Air Quality Subcommittee, July 13, 2004.

²⁷ Section 3119, S. 2400, the FY2005 defense authorization bill.

counterintelligence offices at DOE and NNSA to work together to ensure security of both DOE and NNSA programs and facilities.”²⁸

Possible Organizational Alternatives

Congress, of course, could choose to maintain the current organizational structure.²⁹ If Congress, however, ultimately decides to modify the structure, a number of organizational approaches have been proposed. The range of alternatives currently being discussed include the following: (1) maintain the status quo; (2) completely separate DOE and NNSA; (3) consolidate CI implementation under NNSA, and leave CI policymaking in DOE; and (4) consolidate all counterintelligence — both policymaking and implementation — either within DOE, or, conversely, within NNSA.

Alternative One: Maintain the Status Quo

DOE’s Office of Counterintelligence would continue to be responsible for *developing* CI policy across DOE (including the NNSA) but *implementing* that policy only at non-NNSA facilities. (NNSA/ODNCI) would continue to *implement* CI policy at NNSA facilities.

Proponents of the status quo point to congressional concern in 1999 that DOE was failing to focus necessary and appropriate attention on CI. The semi-autonomous NNSA and its Office of Nuclear Counterintelligence, they argue, was established for the express purpose of having one entity outside of DOE focus on, and be held accountable for, implementing CI policy at DOE’s sensitive nuclear and national security programs, including its weapons labs. The current structure, it is suggested, accomplishes that goal while maintaining a reasonably close integration of program activities. Opponents counter that the current structure produces “inefficiency, confusion, unnecessary contention, and mis-communication.”³⁰ They also suggest that in some areas, the NNSA structure within DOE has exacerbated the general problem of too many layers in DOE, particularly with respect to counterintelligence.³¹

²⁸ The 108th Congress voted to retain the current bifurcated CI structure. See Conference Report 108-767, p. 897.

²⁹ Congress in 2004 decided not to change the current bifurcated CI structure. See Conference Report 108-767 (p. 897) accompanying H.R. 4200, the FY2005 defense authorization bill.

³⁰ *Ibid.* p. 1.

³¹ See Commission on Science and Security, *Science and Security in the 21st Century, A Report to the Secretary of Energy on the Department of Energy Laboratories*, April 2002. p. 26.

Alternative Two: Completely Separate DOE and NNSA

This approach is a complete separation of DOE and NNSA counterintelligence programs, with OCI providing CI support to DOE, and NNSA/ODNCI providing CI support to NNSA. Proponents suggest that this approach would establish clearer lines of authority for CI within DOE and NNSA, which would improve communication and coordination. Opponents counter that such an arrangement would produce chaos at the field level and could lead to future problems of redundancy, coordination, communications, and relations with law enforcement.³²

Alternative Three: Consolidate CI Implementation Under NNSA

The third approach consolidates all DOE CI implementation under NNSA, leaving DOE's Office of Counterintelligence in charge of formulating all CI policy. Proponents suggest that this approach would support an integrated and coordinated CI operational activity and result in a more effective allocation of resources by permitting NNSA to focus its resources on CI implementation and DOE to target its efforts on policy formulation. They also argue that NNSA oversees the most sensitive classified activities within DOE and therefore is best suited to implement all CI activities across DOE. Opponents counter that this approach would leave in place two CI offices, one with policymaking responsibilities and one with operational responsibilities, thereby contributing to continuing confusion as to roles and mission.

Alternative Four: Consolidate All CI Within DOE

The final approach consolidates the two CI programs, either under the control of the Energy Secretary, or under the control of the NNSA administrator. Proponents of DOE consolidation assert that the importance of CI argues for a consolidated effort controlled by the Energy Secretary. They also contend such a consolidation would highlight CI as a department-wide mission that includes protecting leading-edge technologies, critical infrastructure, and national nuclear weapons secrets, as well as protecting DOE facilities against international terrorist attacks. They point out that much of DOE's national security-related work focuses on issues other than just those related to nuclear weapons and, therefore, is not limited to NNSA sites.³³

Opponents counter that consolidating CI under DOE control would be inconsistent with Congress' intent to maximize NNSA autonomy in all areas, and particularly with regard to CI, because of DOE's perceived deeply rooted anti-security culture. They trace DOE's anti-security bias to the longstanding tension

³² See National Counterintelligence Executive, *An Assessment of the Effectiveness of the Division of the CI Programs at the Department of Energy and the National Nuclear Security Administration*, 2003, p. 15-16.

³³ Ibid. p. 17.

between science and security, and assert that only a semi-autonomous agency such as NNSA can establish a cultural environment that values security.³⁴

Although both sides dispute where a consolidated program should be housed, neither proponents or opponents question that consolidation will improve accountability, administration, communication, and coordination, all essential qualities, they suggest of an effective CI program.³⁵

³⁴ See President's Foreign Intelligence Advisory Board, *Science At Its Best/ Security At Its Worst*, p. III.

³⁵ Ibid. p. 18.